



**INDEPENDENT AUDIT AND
PERFORMANCE COMMISSION (IAPC)
Pension Subcommittee**

Minutes of the Friday, March 20, 2015 Meeting

Location: City Hall – 255 W. Alameda, Budget Conference Room, 4th Floor West, Tucson, AZ

Members Present: David Cormier, Subcommittee Chair (Ward 1); Ed Hubert (Ward 6); Kevin Oberg (Ward 4)

Members Absent: None

Staff: Joyce Garland, Budget and Internal Audit Program Director; Silvia Amparano, Finance Director; Karen Tenace, Deputy Finance Director; Silvia Navarro, Finance Treasury Administrator; Mike Hermanson, Finance Pension Manager; Bob Kulze, Interim Internal Audit Manager/Ex Officio Member (Non-Voting); Diane Link, Administrative Assistant

Meeting Start – 2:01 P.M.

Roll Call – A quorum was established.

1. Approval of the February 25, 2015 Pension Subcommittee Minutes

It was moved by Mr. Hubert, duly seconded and carried by a voice vote of 3 to 0, to approve the minutes.

2. Summary of Action Taken at March IAPC Meeting and Subcommittee Next Steps

Mr. Cormier summarized the actions taken at the March 4, 2015 IAPC meeting related to the draft report. He asked if the City has conducted an analysis that led to the recommendation to continue with the current TSRS defined benefit plan. Ms. Amparano responded that the TSRS board had looked at different options related to the sustainability of the TSRS plan in the 2008-2009 timeframe. This analysis was conducted by the TSRS board over a series of board meetings, but a comprehensive report was not issued. Staff has not received direction to conduct such an analysis. Mr. Cormier suggested that a comprehensive study is something that this pension subcommittee should be looking at.

There was discussion about potential education items that could be provided to the subcommittee members. Ms. Amparano and Ms. Tenace fielded and answered questions. Mr. Hubert requested an explanation of “open amortization” be provided either at a future meeting or in writing.

Regarding next steps, Mr. Cormier will be resigning from the subcommittee once the current report is issued by the IAPC. A new member of the subcommittee will be appointed from the IAPC and the new subcommittee will meet to define a scope for the next phase of this review.

No action was taken.

3. Discussion of the Draft Report Findings

The subcommittee members reviewed staff’s responses to the subcommittee’s draft report that was presented to the IAPC at its March 4, 2015 meeting. The responses were

provided in a memorandum from Ms. Amparano. Ms. Amparano and Ms. Tenace fielded and answered questions. There was discussion. The following actions were taken:

- a. Finding #1: Staff recommended that the IAPC consider qualifying this statement with the assumptions that lead to this conclusion, as well as consider adding the pros and cons of closing the defined benefit plan. These additions will better inform decision makers and stakeholders regarding all the factors that should be considered when evaluating options. Mr. Hubert moved, duly seconded and carried by a voice vote of 2 to 1 (Mr. Cormier dissenting), to leave the finding as it currently reads.
- b. Finding #2: Staff noted this finding incorrectly identified the unfunded actuarial liability (UAL) at June 30, 2014 as \$305.8 million. This amount is actually the net pension liability. The UAL at June 30, 2014 is \$356.4 million. Staff recommended that the IAPC define UAL in their report and broaden the report language to address other noted issues. Mr. Hubert moved, duly seconded and carried by a voice vote of 3 to 0, to change the report UAL from \$305.8 million to \$356.4 million.
- c. Finding #3: Staff has not been able to confirm which Mayor and Council presentation the subcommittee is referring to in this finding. Many of the presentation copies provided were presented to the TSRS Board, not Mayor and Council. Mr. Oberg made a motion, duly seconded and carried by a voice vote of 3 to 0, to change the report references from "Mayor and Council" to read "IAPC subcommittee."
- d. Finding #4: Staff recommended that information related to the UAL and funding options be included for clarification. Mr. Hubert moved, duly seconded and carried by a voice vote of 3 to 0, to change the third sentence to read that the actuary had recommended the 10-year amortization of the UAL.
- e. Scope: Staff recommended that a section titled "Scope" be added to the report for the reader's benefit. Two options were provided: Option 1 (Original Scope) and Option 2 (Original Scope with Clarifications). Mr. Hubert made a motion, duly seconded and carried by a voice vote of 3 to 0, to add a section to the report identifying the original scope (Option 1) and including from Option 2 a disclaimer of the items the subcommittee did not consider for this report.

Mr. Cormier will prepare a final draft report based on the actions taken. He will forward the updated draft report to Mr. Kulze for distribution to the subcommittee via email for one last review prior to sending the final draft to the IAPC for discussion at its April 1st, 2015 meeting.

4. Discuss Future Agendas

No action was taken.

Adjournment – 2:55 P.M.